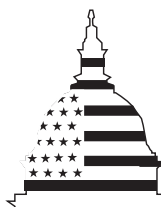


January 2001

SMALL BUSINESS

Status of Small Disadvantaged Business Certifications



G A O

Accountability * Integrity * Reliability



United States General Accounting Office
Washington, D.C. 20548

January 19, 2001

The Honorable Stephen Horn
The Honorable Tom Davis
House of Representatives

The federal government, by statute, has an annual, governmentwide procurement goal of at least 5 percent for small disadvantaged businesses (SDB). SDBs are eligible for various price and evaluation benefits when being considered for federal contract awards. Recently, SDB firms are required to receive certification of their status as an SDB from the Small Business Administration (SBA) in order to receive these benefits and for agencies to be able to count contracts awarded to these firms toward their SDB goals. In your capacity as Chairman of the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform and as a Member of the Subcommittee, you requested that we provide information on the status of SDB certifications under the new Small Disadvantaged Business Certification (SDBC) program. You were concerned about reports that there were fewer businesses receiving SDB certification than expected. As agreed with your office, the objectives were to (1) determine the number of businesses that SBA had certified as socially and economically disadvantaged since the implementation of the SDBC program and (2) obtain views on reasons for the difference, if any, in the number of SDB certifications from the number that had previously self-certified as SDBs.

To identify the number of SDBs certified by SBA since the implementation of the SDBC program, we reviewed data contained in SBA's Pro-Net¹ database, as well as information provided by SBA's Offices of Government Contracting and Minority Enterprise Development,² and Small Disadvantaged Business Certification and Eligibility. We also reviewed SBA's Office of the Inspector General's (OIG) audit report on the SDB certification program;³ a pivotal U. S. Supreme Court decision, *Adarand Constructors, Inc. v. Peña*; and applicable federal statutes and regulations.

¹ Pro-Net is the procurement marketing and access network and SBA's official database for SDBs.

² Renamed Government Contracting and Business Development as of October 1, 2000.

³ *Audit of Small Disadvantaged Business Certification Program Obligations and Expenditures*, Audit Report No. 00-19, June 30, 2000.

To obtain views on the reasons for the level of SDB certifications, we interviewed SBA officials and representatives from two federal agencies' Offices of Small Disadvantaged Business Utilization, as well as officials from the U. S. Chamber of Commerce, and other small business advocacy organizations. We did not verify SBA-provided data. Also, we did not validate the reasons given for the level of SDB certifications nor could we identify empirical evidence that could validate or refute these views.

Results in Brief

SBA records show that 9,034 small business firms were certified as SDBs as of August 24, 2000. According to SBA officials, approximately 6,405 of these firms were automatically certified due to their 8(a) certification.⁴ SBA officials also reported that, as of August 24, 2000, SBA had certified 2,629, or about half, of the 5,456 small business firms that submitted applications for certification to the SDBC program. For those applications that it did not certify, SBA returned 1,990 applications as incomplete and denied certification for 241 applicants. Applicants withdrew 307 applications for unknown reasons. The remaining 289 applications were in various stages of screening and processing.

The number of SDBs that have been certified by SBA is significantly lower than the 30,000 projected by SBA based on the number of firms that had self-certified as SDBs. A variety of factors may have contributed to the number of SDB certifications being lower than anticipated by SBA. Officials from SBA, the U. S. Chamber of Commerce, the Women's Business Enterprise National Council, the National Minority Supplier Development Council, the National Small Business United, and representatives from the two federal agencies' Offices of Small Disadvantaged Business Utilization officials gave several reasons for the lower-than-expected number. SBA officials and officials from the other organizations interviewed agreed that, due to their uncertainty as to when or how the program would be implemented, businesses might not have applied for certification. Criticisms and lack of buy-in from outside groups on SBA's implementation of the program and SBA's changes to the program's implementation dates may have created confusion for some firms, while some others may have adopted a "wait-and-see attitude." In addition, some officials agreed that

⁴ The 8(a) program, which was named for a section of the Small Business Act, has the same criteria as the SBD program except that principals must have a net worth of less than \$250,000, excluding their ownership interest in the firm and their primary personal residences (the net worth requirement for SDBs is \$750,000).

many businesses viewed the application process as an administrative and financial burden compared with the prior self-certification process and that some businesses might not have the resources to apply. Related to this issue, perhaps most significantly, senior SBA officials as well as some officials from organizations outside of SBA said that many businesses do not see sufficient benefits of certification to justify the effort. Some officials that we interviewed believed that the SDB program was limited because neither set-asides⁵ nor price preferences⁶ were being used. Consequently, according to these officials, some firms perceived that they were unlikely to receive any federal contracts regardless of their SDB status. By comparison, other officials that we interviewed stated that some firms expressed confidence that they can receive contracts through open competition without SDB status. Lastly, an SBA official stated that some firms that had self-certified as SDBs might not apply for certification because they no longer or had never qualified for SDB status.

Background

The SDB program in various forms has been in existence for the past 14 years. While criteria to qualify as an SDB remained essentially the same during this period, a Supreme Court decision in 1995—*Adarand v. Peña*—resulted in the federal government examining how it implemented “affirmative action” programs, including certain procurement preference programs. Subsequently, the federal government established a program to certify SDBs as eligible for preferences when being considered for federal prime and subcontracting opportunities.

THE SDB Program Pre-*Adarand*

The SDB program was established by the National Defense Authorization Act of 1987, and applies to the Department of Defense (DOD), the National Aeronautics and Space Administration (NASA), and the U. S. Coast Guard.⁷ The implementing regulations define SDBs as small business concerns that are owned and controlled by socially and economically disadvantaged

⁵ Set-asides are acquisitions reserved exclusively for participation by a certain type of contractor, such as small business concerns, when two or more business concerns can compete for the award. Set-asides can be total or partial.

⁶ Small business concerns that have been certified by SBA as small disadvantaged businesses may qualify for a price evaluation adjustment or credit up to 10 percent when submitting bids on competitively awarded federal contracts in certain industries.

⁷ P.L. 99-661, 10 U.S.C. § 2302 (1) and 10 U.S.C. § 2323 (e) (3).

individuals who have been subjected to racial or ethnic prejudice or cultural bias and who have limited capital and credit opportunities.⁸ African, Asian, Hispanic, and Native Americans are presumed by regulation to be socially disadvantaged.⁹ An individual who is not a member of a designated group presumed to be socially disadvantaged had to establish individual social disadvantage on the basis of clear and convincing evidence which, according to the SBA's OIG audit report, is a difficult standard to meet. Under this standard, an applicant must produce evidence to show that it is highly probable that the applicant is a socially disadvantaged business concern.¹⁰ The regulations further specify that to qualify as an SDB, a small business concern had to (1) be at least 51 percent owned and controlled by a socially and economically disadvantaged individual or individuals; (2) meet the SBA-established size standard based on the business' primary industry as established by the Standard Industrial Classification (SIC) code;¹¹ and (3) have principals who have a personal net worth, excluding the value of the business and personal home, less than \$750,000.¹² The Federal Acquisition Streamlining Act of 1994 (FASA) expanded the program to all federal agencies.

In addition to the governmentwide programs, various other federal laws contain provisions designed to assist SDBs that are applicable to specific executive departments or independent agencies. For example, the Surface Transportation and Uniform Relocation Assistance Act of 1987 required the Department of Transportation to expend not less than 10 percent of federal highway and transit funds with disadvantaged business enterprises.¹³ Amendments in 1987 and 1992 to the Airport and Airway Improvement Act of 1982 imposed similar requirements with regard to airport programs.¹⁴

⁸ 13 CFR §124.1002, 124.101, 124.103 (a), (c) (2) (C).

⁹ 13 CFR §124.103 (b) (1).

¹⁰ *Command and Control Consulting, Inc.*, Docket No. MSBE-95-05-19-11, SBA No. 525, September 14, 1995.

¹¹ 13 CFR §124.102, 124.1002 (b) (1). The SIC system generally establishes the size standards for types of economic activity or industry. The SIC system also assigns a four-digit code to all economic activities.

¹² 13 CFR §124.1002 (c), 124.104 (c) (2).

¹³ P.L. 100-17, 101 Stat. 132, April 1987.

¹⁴ P.L. 100-223, 101 Stat. 1486, 1493 and P.L. 102-581, 106 Stat. 4872, 4882, 49 U.S.C. App. 2204.

Other statutes contain provisions to encourage contracting with SDBs by various departments and agencies, including the Department of Energy,¹⁵ the Department of State,¹⁶ the Environmental Protection Agency,¹⁷ and the Federal Deposit Insurance Corporation.¹⁸

Prior to the recent changes in the SDB program, small business concerns could self-certify that they were small and disadvantaged. According to an SBA official, unless otherwise challenged by an interested party, the contracting agency accepted the self-representation to be accurate. Between 1987 and the *Adarand* decision, self-certified SDBs were eligible to receive two main benefits: (1) a 10 percent evaluation preference in competitive DOD acquisitions where that award was based on price and price-related factors and (2) the ability to compete for contracts set-aside for SDBs for certain DOD acquisitions where agency officials believed that there was a reasonable expectation that offers would be received from at least two responsible SDBs. Though FASA extended the authority to implement these benefits to all federal agencies, because of the 1995 *Adarand* decision and the effort to reform federal affirmative action programs in light of the decision, regulations to implement the authority were delayed.

The *Adarand* Case

In the 1995 *Adarand* decision, the Supreme Court held that all federal affirmative action programs that use racial classifications are subject to strict judicial scrutiny. To meet this standard, a program must be shown to meet a compelling governmental interest and must be narrowly tailored to meet that interest. The Court questioned whether the program at issue in the *Adarand* case, which involved highway contracts at the Department of Transportation, met that test. The Court decision resulted in the federal government's examining all affirmative action programs, including procurement preference programs. One issue that was addressed following

¹⁵ P.L. 102-486, 106 Stat. 2776, 3133, Oct. 24, 1992, and P.L. 103-160, 107 Stat. 1547, 1956, Nov. 30, 1993.

¹⁶ P.L. 99-399, 100 Stat. 853, 865, Aug. 27, 1986; and P.L. 101-246, 104 Stat. 15, 28, 33, and 63, Feb. 16, 1990.

¹⁷ P.L. 99-499, 100 Stat. 1613, 1627, Oct. 17, 1986; P.L. 101-507, 104 Stat. 1351, 1374, Nov. 5, 1990; and P.L. 101-549, 104 Stat. 2399, 2708, Nov. 15, 1990, 42 U.S.C. 7601 note.

¹⁸ P.L. 100-86, 101 Stat. 552, 626, Aug. 10, 1987, 12 U.S.C. 1823 f (6) (C).

the Supreme Court decision was the government's policy that allowed firms to self-certify as SDBs.

The SDB Program Post-*Adarand*

The Supreme Court decision in *Adarand* resulted in the administration having to make changes to the SDB program. Tasked by the administration, the Department of Justice (DOJ) conducted a review of affirmative action in federal procurement programs. DOD, one of the largest contracting agencies, was the focus of the initial post-*Adarand* compliance actions by the federal government. DOJ reviewed the procurement mechanisms used by DOD, including set-asides,¹⁹ direct competitive awards, and price evaluations. On May 23, 1996, DOJ issued a proposed structure to reform affirmative action in federal procurement to ensure compliance with the tests of constitutionality established in the *Adarand* decision. The DOJ proposal included a 2-year ban on DOD's use of set-aside programs for SDBs²⁰ and the elimination of the SDB set-asides for civilian agencies, allowing only bidding and evaluation credits. The proposal also included standards by which a firm could apply to be certified as an SDB. This proposal also reduced the burden of proof from “clear and convincing evidence” to a “preponderance of the evidence”²¹ standard. This lesser evidentiary standard requires that applicants show that they are more likely than not to meet the criteria for social disadvantage.

Because of its experience in certifying 8(a) businesses and resolving protests in connection with both the 8(a) and the previous SDB set-aside programs, SBA was chosen to pilot and administer a centralized program for SDB certification. In August 1998, SBA set up the Office of Small Disadvantage Business Certification and Eligibility to implement the DOJ proposal. According to an SBA official, SBA projected that by October 1999, an estimated 30,000 firms would apply to SBA for certification based, in large part, on the number of firms that self-certified as SDBs under the previous program.

¹⁹ 10 U.S.C. § 2323 granted DOD the authority to use the “rule of two.” When a contract officer identifies two or more qualified SDBs to bid on a project at a price within 10 percent of fair market price, the contract is set aside for bidding exclusively by SDBs.

²⁰ The set-aside program accounted for one-sixth of DOD's contracts awarded to SDBs.

²¹ *Toalson Enterprises, Inc.*, Docket No. SDBA-99-12-09-34, SBA No. SDBA-139, May 9, 2000.

Under the SDBC program, small businesses seeking to obtain SDB procurement opportunities must first demonstrate that they meet the eligibility criteria to qualify as an SDB. Effective October 1, 1998, small business concerns must receive certification from SBA that they qualify as an SDB for purposes of receiving a price evaluation adjustment when competing for a prime contract. As of January 1, 1999, monetary incentives became available for prime contractors that met and exceeded their subcontracting goals. Also, effective October 1, 1999, SDBs that waived the price evaluation adjustment and large business prime contractors that used certified SDBs as subcontractors in certain industries were eligible for evaluation credits.²²

While the SDB set-aside program was suspended, price and evaluation credits continued with the following three procurement mechanisms: (1) qualified SDBs are eligible for price evaluation adjustments of up to 10 percent when bidding on federal prime contracts in certain industries, (2) prime contractors may receive evaluation credits for their plans to subcontract with SDBs in major authorized SIC groups, and (3) prime contractors that exceed specified targets for SDB subcontracting in the major authorized SIC groups can receive monetary incentives.

Although on September 30, 2000, the initial pilot covering civilian agencies' authority to use price and evaluation credits expired, the administration is seeking a 3-year extension of the program as part of SBA's pending Reauthorization Bill. The DOD authority was extended for another 3 years.²³ During this time, SBA, DOD, and the Department of Commerce are to evaluate the performance of the program and determine whether the program has benefited SDBs and whether the reinstitution of set-asides should be considered.

²² The effective date for this requirement changed several times. The date was extended from July 1, 1998, to January 1, 1999, then to July 1, 1999, and finally to October 1, 1999. To benefit from this requirement, solicitations require offerors to provide, with their offers, planned targets for SDB participation by subcontractors.

²³ Section 808, P.L. 106-65.

More Than 9,000 Firms
Certified, More Than
Two-Thirds From
Existing 8(A)
Certifications

As of August 24, 2000, according to SBA officials, 9,034 small business firms were certified as SDBs. Of these firms, 6,405 were grandfathered into the SDBC program due to their 8(a) status. The remaining 2,629, or 29 percent, were small business firms that applied to the program and were certified by SBA. According to SBA, 5,456 small business firms applied to the program, which was a significantly lower number than the 30,000 applications SBA anticipated. Of the 5,456 applications submitted for certification, SBA returned 1,990 applications as incomplete and denied 241 applications for SDB certification. Applicants withdrew 307 applications for unknown reasons. The remaining 289 applications were in various stages of screening and processing.

Of the 9,034 certified SDBs, according to an SBA official, 6,405 firms, or 71 percent, were automatically grandfathered into the SDB program due to their 8(a) certification. Of those firms that were grandfathered, 5,689 firms were 8(a) business development firms, and 716 were firms that recently graduated from the 8(a) program but qualified as an SDB because they still met the ownership and personal wealth criteria, according to an SBA official. The official also reported that, as of August 24, 2000, SBA had certified 2,629 firms as SDBs—1,302 firms were certified in the first year of the program from August 24, 1998, through August 23, 1999; and 1,327 firms were certified from August 24, 1999, through August 24, 2000. Table 1 shows the composition of the SDB certifications.

Table 1: Composition of SDB Certifications as of August 24, 2000

SDB certification categories	Number of SDBs
8(a) business development ^a	5,689
8(a) business development graduates ^b	716
SBA certifications	2,629
Total certifications	9,034

^a 8(a) business development (BD) firms were grandfathered into the SDBC program. These firms automatically qualified as SDBs by virtue of their status as 8(a) BD concerns.

^b Firms that have graduated from SBA's 8(a) BD program but continued to be eligible for the 8(a) BD program as determined by an annual review also qualified as SDBs and were grandfathered into the SDBC program. These firms will remain on the list of certified SDBs for 3 years from the date of the last annual review.

Source: GAO analysis of SBA-provided data.

According to SBA officials, 5,456 applications were submitted by small businesses for SDB certification from August 24, 1998, to August 24, 2000. Of the 5,456 applications, 3,377, or 62 percent, were determined to be complete and passed the screening phase of the certification process.²⁴ According to SBA officials, 1,990 applications, or 36 percent, were determined to be incomplete and subsequently returned to the applicant during this period, and 89, or 2 percent, were “in- screening,” meaning that the application was being reviewed by an analyst for completeness. Table 2 shows the status of the applications submitted to SBA by small business concerns for SDB certification.

Table 2: Applications Received by SBA That Were Complete, Incomplete, or In-screening as of August 24, 2000

Period	Received	Complete	Incomplete	In-screening
August 24, 1998 to August 23, 1999	2,839	1,609	1,225	5
August 24, 1999 to August 24, 2000	2,617	1,768	765	84
Total	5,456	3,377	1,990	89

Source: GAO analysis of SBA-provided data.

SBA certified 2,629, or 78 percent, of the 3,377 applications it considered complete from August 24, 1998, through August 24, 2000. SBA denied certification to 241 applicants, or 7 percent, according to SBA officials. The two primary reasons SBA officials gave for denying certification were either that (1) the designated group members exceeded the economic threshold, or that (2) the nondesignated group members did not meet the social disadvantaged standard. As for the remaining 507 complete applications, SBA officials also reported that applicants withdrew 307 applications for unknown reasons, and 200 were “in process,” meaning they were being reviewed to determine whether or not the applicant met the eligibility criteria. Table 3 shows the status of all complete applications submitted to SBA as of August 24, 2000.

²⁴ The certification process consists of three main phases: (1) the application screening phase, (2) the application processing phase, and (3) the application certification phase.

Officials Identify
Uncertainty About the
Program, Costs,
Benefits, and
Qualifications as
Factors for Low
Number of
Applications

Table 3: Status of Small Business Complete Applications as of August 24, 2000

Period	Complete	Certified	Denied	Withdrawn	In-process
August 24, 1998 to August 23, 1999	1,609	1,302	143	131	33
August 24, 1999 to August 24, 2000	1,768	1,327	98	176	167
Total	3,377	2,629	241	307	200

Source: GAO analysis of SBA-provided data.

The number of SDBs that have been certified through the SDBC program is significantly lower than the 30,000 projected by SBA, based on the number of firms that had self-certified as SDBs. Officials from SBA, two federal agencies' Offices of Small and Disadvantaged Business Utilization, the U. S. Chamber of Commerce, the Women's Business Enterprise National Council, the National Minority Supplier Development Council, and the National Small Business United cited four broad factors, which they believed, combine to likely explain the lower-than-anticipated number of SDB certification applications. These factors included, for some firms: (1) confusion about the program's implementation, (2) the administrative and financial burden of applying, (3) questions regarding the benefits of obtaining the SDB certification, and (4) not qualifying as SDBs.

SBA officials and officials from other organizations we interviewed agreed that businesses might not have applied for certification due to uncertainty about when or how the SDB certifications would be implemented. Criticisms and lack of buy-in from outside groups on the SDB certification process and changes to the program's implementation dates may have created confusion for some firms, while some others may have adopted a "wait-and-see attitude." Officials from two of the seven organizations that we talked to said that, when developing the certification process, SBA did not solicit the support of small business advocacy organizations that represent the interests of small business concerns. The two officials also stated that some advocacy groups opposed the structure and criteria used to establish SDB certification as well as the onerous documentation requirements. Consequently, those groups have not encouraged their members to participate in the program because these issues are not resolved. One of the officials also believed that SDB owners were not

educated about the process, which might have lead them to not apply for certification.

Compounding the problem of conflicting or inadequate information about the certification requirements, according to SBA officials, was the shifting of implementation dates. The implementation date for the requirement that prime contractors use only certified SDBs in meeting their subcontracting goals and receive evaluation credits under the SDB participation program also changed several times. For example, the implementation date for the program was originally January 1, 1999, then changed to July 1999 with a final extension to October 1999. Consequently, according to SBA and some of the advocacy group representatives, SDBs may have delayed applying for certification because of uncertainty as to actual deadlines and, in some cases, may have adopted a wait-and-see attitude regarding program requirements and criteria.

Officials interviewed from six of the seven organizations agreed that another key factor explaining the lower-than-anticipated number of applicants was that small business owners view the application process as an administrative burden compared with self-certification. Officials from four of the seven organizations interviewed pointed out that the certification requirement was a financial burden compared with the self-certification process. Previously, firms only had to attest that they qualified as SDBs. To be certified as SDBs, firms have to complete and submit one of several different SDB applications, depending on the type of business to be certified.²⁵ In addition to the administrative burden, businesses can incur significant expenses under the new certification procedures to ensure that their application package is complete and accurate. For example, businesses can go to a private certifier to help them complete their application, but this service can cost up to several thousand dollars, depending on the services performed. According to one small business advocacy official, this expense can be prohibitive for a number of firms.

Adding to the issues of confusion about the program's requirements and administrative burden, according to officials interviewed, is the view held by some small businesses and shared by several SBA officials that there is no real benefit to participating in the program. Officials gave different

²⁵ The application is different for each of the following business types: Proprietorship, Partnership, Limited Liability Company, Corporation, Community Development Corporation, and Alaskan Native Corporation or Indian Tribe.

reasons for this view. Two officials we interviewed, as well as officials from SBA, said that some small businesses believe that they are unlikely to receive federal contracts due to both real and perceived restrictions on agencies' use of price evaluation adjustments and therefore questioned the value of obtaining SDB certification. An SBA official pointed out, for example, that DOD, which accounts for about 67 percent of federal procurement dollars spent, is statutorily barred from using price evaluation adjustments once it exceeds its SDB contracting goal.²⁶ Alternatively, two officials from other organizations we interviewed said that other firms do not see the benefit to certification because they feel confident that they can receive contracts through open competition regardless of their certification status, particularly those that have established contracting relationships. Consequently, small businesses' view that the certification process is an administrative and financial burden combined with the low value placed on SDB certification are factors that may have discouraged small businesses from applying for certification, according to these officials.

Finally, an SBA official we interviewed pointed out that, in some cases, firms that had previously self-certified as SDBs might not currently qualify for SDB status. Although she did not have data that could show how many firms fit in this category, the SBA official believed that, based on her experience, exceeding the personal wealth threshold of \$750,000 was one reason for firms to either not qualify or no longer qualify as an SDB.

Agency Comments

We provided a draft of this report to the Administrator of the Small Business Administration, for her review and comment. On December 19, 2000, we received oral comments from the Associate Administrator, Office of Planning and Liaison (formerly Associate Administrator, Office of Government Contracting and Minority Enterprise Development), and from the Assistant Administrator, Office of Outreach and Marketing (formerly Assistant Administrator, Office of Small Disadvantaged Business Certification and Eligibility). Both officials stated that they generally concurred with the information included in the draft report, however, they

²⁶ Section 801 of the Fiscal Year 1999 Defense Authorization Act prohibits DOD from granting price evaluation adjustments for a 1-year period following a fiscal year in which it exceeds the 5-percent goal for SDB contract awards set forth by 10 U.S.C. § 2323. The Secretary of DOD determined that DOD exceeded the 5-percent goal in fiscal years 1998 and 1999 and has suspended the price evaluation adjustment since February 1999.

provided clarifying technical information that we have included in this report as appropriate.

Scope and Methodology

To determine the number of businesses that SBA had certified as socially and economically disadvantaged since the implementation of the SDBC program, we met with and obtained information from SBA and reviewed data contained in the SBA Pro-Net database. In addition, we reviewed the SBA OIG's audit report on the SDB certification program, laws and regulations pertaining to SDBs, and a Supreme Court decision. We did not verify data provided by SBA.

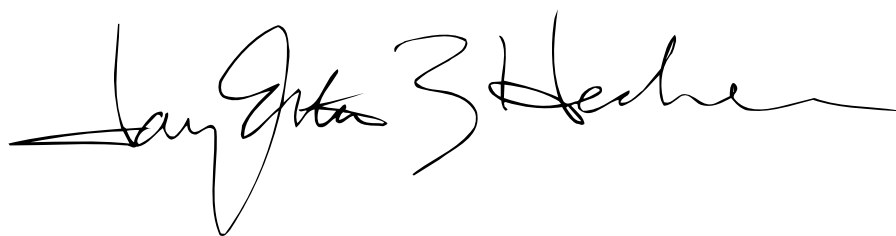
For our second objective, to obtain views on the reasons for the lower-than-expected SDB certifications, we interviewed officials from SBA, DOJ's Office of the Assistant Attorney General for Civil Rights, as well as officials from the U. S. Chamber of Commerce, the Women's Business Enterprise National Council, the National Minority Supplier Development Council, and the National Small Business United. Also, we sent letters to 30 representatives from federal agencies' Office of Small Disadvantaged Business Utilization requesting their view on reason for the lower-than-expected SDB certifications. Of the 30 federal agency representatives, we received views from Commerce and DOJ within the time frame specified in our letter, which we have included in this report. We did not validate the factors cited by these organizations for explaining the lower-than-expected certifications, nor was there empirical evidence available to validate or refute these views. Also, we did not evaluate the performance and implementation of the SDB program to achieve the governmentwide goal or its effectiveness in certifying SDBs.

We conducted our review in Washington, D.C., from July through September 2000 in accordance with generally accepted government auditing standards.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, we will send copies of this report to appropriate congressional committees and interested Members of Congress. We will also send copies to the Honorable Aida Alvarez, Administrator, Small Business Administration; the Administrator, General Services Administration; and the Director, Office of Management and Budget. We will also make copies available to others on request.

If you have questions regarding this report, please contact me on (202) 512-8984. Major contributors to this assignment were Hilary Sullivan, Geraldine Beard, William Woods, and Sylvia Schatz.

Sincerely yours,

A handwritten signature in black ink, reading "JayEtta Z. Hecker". The signature is fluid and cursive, with a long horizontal stroke at the end.

JayEtta Z. Hecker
Director
Physical Infrastructure

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